

Message Text

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PAGE 01 VIENTI 00490 221200Z

13

ACTION EA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01

CEA-01 AGR-05 EUR-12 NEA-09 /096 W

----- 122141

P R 221040Z JAN 75

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 2227

INFO AMEMBASSY BANGKOK

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E.O. 11652: N/A

TAGS: ECON, LA

SUBJECT: WEEKLY ECONOMIC SITUATION REPORT (JAN 15-21)

BEGIN SUMMARY. TOTAL FOREIGN EXCHANGE SALES WERE \$498,000 FOR WEEK ENDING JAN 17. FREE MARKET RATE FOR DOLLARS UP SIGNIFICANTLY, WHILE USAID COST-OF-LIVING INDEX DOWN marginally. LAOS CONTINUES TO MAKE PROGRESS IN ITS AID-SEEKING EFFORTS. END SUMMARY.

1. TOTAL FOREIGN EXCHANGE SOLD THROUGH BANKS DURING WEEK ENDING JANUARY 17 WAS \$498,000, APPROXIMATELY SAME LEVEL AS \$501,000 AVERAGE WEEKLY SALES SINCE INITIATION FOREIGN EXCHANGE CONTROLS IN JULY 1974. OF FX SOLD, 48 PERCENT WAS FOR PETROLEUM PRODUCTS.

2. THE FREE MARKET RATE FOR DOLLARS ROSE STEADILY DURING PAST WEEK, ENDING WEEK AT LEVEL SIGNIFICANTLY HIGHER (UP 6 PERCENT) THAN PRIOR WEEK. NO APPARENT REASONS FOR INCREASE BUT MAY POSSIBLY BE RELATED TO TRADITIONAL SETTLEMENT OF DEBTS AT CHINESE NEW YEAR. ON JAN 22 MERCHANTS AND OTHER FX DEALERS WERE BUYING DOLLARS FOR APPROXIMATELY 1,380 KIP PER DOLLAR AND

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PAGE 02 VIENTI 00490 221200Z

SELLING FOR 1,400 KIP, UP FROM 1,300 BUYING AND 1,310 SELLING

JAN 14. BAHT WAS BEING BOUGHT FOR 6,800 KIP PER 100 BAHT,
SELLING 6,900 KIP.

3. USAID COST-OF-LIVING INDEX FOR VIENTIANE DECREASED marginally
during past week, reflecting primarily lower price for fish.
This is one of the more volatile yet significant components
in the cost-of-living index. USAID index on Jan 20 shows
following changes:

| | PERCENTAGE INCREASE SINCE | |
|----------------|---------------------------|--------|
| | JAN 13 | END 74 |
| GENERAL INDEX | (-1.5) | (-0.3) |
| RICE INDEX | 0 | 0 |
| NON-RICE INDEX | (-1.8) | (-0.3) |

4. RECENT DEVELOPMENTS IN LAO EFFORTS TO OBTAIN ADDITIONAL
FOREIGN ASSISTANCE INCLUDE:

A. PRELIMINARY AND UNCONFIRMED REPORTS ON RESULTS OF AID-
SEEKING MISSION HEADED BY MINISTER OF ECONOMY AND PLAN SOTH
PHETRASY TO SEVERAL BLOC COUNTRIES HAVE BEEN RECEIVED. (IT
SHOULD BE NOTED THAT DETAILED PROVISIONS OF ASSISTANCE WHEN
NEGOTIATED IN SUBSEQUENT AGREEMENTS MAY DIFFER FROM INITIAL
REPORTS.) GOVERNMENTS HAVE AGREED TO PROVIDE ASSISTANCE AS
FOLLOWS:

(1) HUNGARY: COMMODITIES TOTALING ROUGHLY \$320,000, INCLUDING
PHARMACEUTICALS, FOOD AND TEXTILES.

(2) BULGARIA: COMMODITIES TOTALING ROUGHLY \$400,000 WHICH WILL
BE PRIMARILY PHARMACEUTICALS AND FOOD, PLUS \$120,000 ADDITIONAL
TO COVER TRANSPORTATION COSTS.

(3) RUMANIA: TEXTILES, PHARMACEUTICALS AND TRUCKS (NO DETAILS
ON VALUE AVAILABLE).

(4) EAST GERMANY: COMMODITIES TOTALING \$500,000 TO \$600,000,
INCLUDING TEXTILES, PHARMACEUTICALS, AND FOOD, PLUS ELECTRICAL
EQUIPMENT SUITABLE FOR USE IN HOMES.

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PAGE 03 VIENTI 00490 221200Z

(5) INDIA: APPROXIMATELY \$125,000 WORTH OF PHARMACEUTICALS AND
TEXTILES, PLUS TECHNICAL ASSISTANCE VALUED AT \$200,000.

(6) THE DANISH, SWISS, AND AUSTRIAN GOVERNMENTS REPORTEDLY
INDICATED THAT THEY COULD PROVIDE NO FOREIGN ASSISTANCE TO LAOS
SINCE THEY HAD NOT BUDGETED FOR IT.

B. LOCAL NEWSPAPER REPORTS ABOUT LAO-THAI DISCUSSIONS IN BANGKOK

(VIENTIANE 0301) JAN 14-18 INDICATE THAT IN ADDITION TO 20 PERCENT REDUCTION IN TRANSIT RATES PREVIOUSLY REPORTED, THAI GOVERNMENT HAS ALSO AGREED TO:

(1) MODIFY THE RATES PAID TO LAOS FOR EXPORTS OF NAM NGUM DAM ELECTRICITY;

(2) PROVIDE FIFTY SCHOLARSHIPS TOTALING 2.5 MILLION BAHT FOR STUDY BY LAO IN THAILAND;

(3) PROVIDE AN AMOUNT OF 6.2 MILLION BAHT FOR EQUIPMENT AND MATERIAL NEEDED BY LAOS (IT IS NOT KNOWN IF THIS AMOUNT IS INCLUDED IN 15 MILLION BAHT ASSISTANCE PREVIOUSLY GRANTED BY THAI GOVERNMENT TO LAOS - SEE VIENTIANE 8404). THAILAND HAS ALSO PLEDGED CLOSE COOPERATION AND ASSISTANCE IN THE AREA OF BORDER SECURITY, CUSTOMS, COMMERCE, INDUSTRY, AGRICULTURE, TOURISM, AND ECONOMIC DEVELOPMENT.

5. DECONTROL FOLLOWING 1/22/76.

WHITEHOUSE

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Disposition Authority: GolinoFR
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Disposition Reason:
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Margaret P. Grafeld
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